

CONSULTATION RESPONSE REM 2019/20

We invite you to respond to the consultation on the Risk Evaluation Methodology for 2019/20. We are proposing a revised Risk Evaluation Methodology in line with Performance Assurance Framework Review. This is detailed on P2. ***No response will be taken as agreement to the proposed changes.***

Your Contact Details:

Respondent

Telephone contact

Company name

Number of BSC Parties represented

Names of BSC Parties represented

Number of non-Parties represented

Names of non-Parties represented

Role of Parties/non-Parties represented

Does this response contain confidential information?

When we present your findings to the Performance Assurance Board in November, we intend to include your comments (unless indicated as confidential) as an attachment to the PAB paper which will be publicly available on the website after the PAB meeting.

Do you agree that your comments can be published?

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Proposed changes

As part of the PAF Review, ELEXON has designed a new approach to evaluating Settlement Risks and presenting them in the Risk Evaluation Register. For your reference, the current REM for 2018/19 is available on the ELEXON website¹.

The key changes in the proposed REM for 2019/20 are:

- Identification of a lower, middle and upper plausible Impact value, expressed in financial terms, which represents both the probability and impact of the risk occurring
- Use of the middle Impact value as the forecast error in the applicable assurance year ('Impact')
- Assignment of a Volatility, based on the difference between the middle Impact and Upper Impact to indicate uncertainty of the forecast error
- Refreshed risk categories, and the addition of a sub-category to support monitoring of risk areas
- Additional fields in the Risk Evaluation Register, including rationales for estimated or assigned values and supplementation information to support understanding of the risk
- Separate identification of party types that may cause or could control each risk to enable Performance Assurance Parties to better understand the Settlement Risks that may impact them

Please provide answers to the questions below:

Question 1	Do you agree with the changes proposed to the Risk Evaluation Methodology? Please provide a rationale if you disagree.	Response: Y/N

Question 2	Do you agree that this new methodology will enable us to adapt to future market changes more effectively? Please provide a rationale if you disagree.	Response: Y/N

Question 3	Do you agree that the new plausible Impact estimate is a fair and more representative way of calculating risk? Please provide a rationale if you disagree.	Response: Y/N

¹ https://www.elexon.co.uk/wp-content/uploads/2017/04/REM-Report-2018_19_v1.0.pdf

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Question 4	Do have any other comments?	Response: Y/N

Further Information

To help us process your response, please email your completed response form to ryan.dale@elexon.co.uk by **22 October 2018**.

The Performance Assurance Board will consider your consultation response at its meeting on 29 November 2018. Thank you for your time.

Any questions?

Contact: Ryan Dale

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